REBNY's Manhattan Retail Report shows market tightening in some prime corridors, creating new leasing opportunities in previously vacant storefronts

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Manhattan, NY The Real Estate Board of New York (REBNY) released its Fall 2022 Manhattan Retail Report based on findings gathered in May to November of 2022.

The report highlighted strong leasing activity, competition for storefronts and dwindling supply of quality space in historically sought-after corridors such as Prince and Greene St.'s in SoHo, Bleecker St. in the West Village and Lower Madison Ave.

The tighter market in these prime corridors has compelled more retailers to take leases in areas that had previously lagged, including some stretches of Broadway in SoHo and Upper Madison Ave., among others.

This dynamic has not been limited to Manhattan. It was also recently seen in REBNY's latest Brooklyn retail report, which emphasized that more leasing activity was beginning to take place in so-called secondary corridors following the exhaustion of prime corridor space.

However, while some of Manhattan's high-profile retail corridors are registering their strongest activity since 2016 and 2017, rent is still well below its pre-pandemic levels. Additionally, leasing has only recently started to gain traction in other areas such as Times Square, Herald Square and Upper Fifth Ave.

"The fact that retailers in both Manhattan and Brooklyn are turning their attention to considering a wider array of corridors underscores their confidence in retail demand. Despite the highest inflation in decades, consumers and tourists still have a healthy appetite for all the city has to offer," said Keith DeCoster, REBNY's director of Market Data and Policy. "The durability of spending power in 2023 will be a key indicator to monitor."

Of the 16 retail corridors examined in this Fall 2022 report:

Five corridors saw average asking rents increase compared to Spring 2022
Nine corridors saw average asking rents decrease compared to Spring 2022
Two corridors saw average asking rents remain unchanged compared Spring 2022

“Manhattan’s competitive retail advantages have come to the fore in 2022 with steady demand from New Yorkers, surging tourism and a resurgence of brands expanding across the City,” said Joanne Podell of Cushman & Wakefield. “Demand from consumers for in-store shopping is as strong as ever and store owners have been leasing space at the strongest pace since 2016 and 2017. The challenges to sustaining this momentum are substantial and include spiraling costs of doing business, soaring prices and a long list of hurdles that store owners must clear to open, staff, stock and maintain their business.”

“The retail sector in the City is in a truly unique position. For the first time in a while, there is a positive balance across much of Manhattan,” said Andrew Mandell of RIPCO Real Estate. “Rents have stabilized and are slowly rising in most corridors, but still are still well below the peak levels last achieved five or six years ago. This is a more sustainable pace of growth -- whether you are a new business owner, an expanding family store or a new broker getting your feet wet -- this is a great time to jump into Manhattan retail. Considering the challenges of the last several years, this is music to the market’s ears”

Looking forward to 2023, market headwinds must be closely monitored. The sharpest inflationary pressures and increased borrowing costs since the 1980s will weigh on shoppers and store owners. Additionally, retail entrepreneurs are still struggling to maintain healthy profit margins as they face a gauntlet of challenges: staffing shortages, supply-chain issues, spiraling costs, delayed space buildouts, and a lengthy permitting process. Retailers considering their first store in Manhattan and those exploring expansion consistently raise quality of life concerns as a potential impediment.

The full report can be downloaded here.